

# Exhibit 3

# **ECONOMIC AND FINANCIAL CONSULTING GROUP, INC.**

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6 RICHLAND HILLS COVE • CONWAY, AR 72034 • (501) 450-1306

January 30, 2013

Mr. Timothy L. Brooks  
Attorney at Law  
Taylor Law Partners  
P.O. Box 8310  
Fayetteville, AR 72703

RE: **Scotty B. McCollum**

Dear Mr. Brooks:

At your request, I have calculated the economic losses suffered by Scotty B. McCollum ("McCollum") resulting from his alleged wrongful termination by Jacobs Engineering Group, Inc. ("Jacobs") effective on December 19, 2009. In this calculation my objective is to arrive at the present value of the differential stream of income and fringe benefits that would have been received by McCollum in the absence of his termination. According to my calculations this economic loss amounts to either **\$700,249.80** or **\$970,720.78**. Below, I will explain my computations in detail and total loss is summarized in the attached tables.

## Income Loss

Because of his termination, McCollum has been deprived of a flow of income that he could have otherwise generated. This loss should be segmented into components reflecting past losses ("Back Pay"), which are not discounted, and projected future losses ("Front Pay"), which are converted into present value terms. Past losses under the FCA Retaliation Statute, 31 U.S.C. Section 3137 (h), are alternatively calculated in accordance with either equation (1) ("Scenario 1") or equation (2) ("Scenario 2"), below:

(1) Past Loss = [(Base Income)(Time Interval Between Date of Termination and Date of Trial)-(Actual Historical Mitigation Income)] X 2 + Interest to Date

(2) Past Loss = [(Base Income X 2)(Time Interval Between Date of Termination and Date of Trial)]-(Actual Historical Mitigation Income) + Interest to Date

In the present instance base income is assumed to range from \$114,015.18 to \$121,955.53 per year. The lower end of this range is based on McCollum's annualized 2009 earnings as documented by his W-2 for that year. McCollum's earnings are annualized based on earnings generated over the period January 1, 2009 through October 19, 2009, at which point he was placed on an unpaid leave of absence. Historical mitigation earnings amount to \$266,483.61 based on earnings generated following McCollum's employment by the U.S. Army Corps of Engineers on or about March 15, 2010. Mitigation earnings for 2010, 2011 and 2012 are documented by his W-2s for those years. Earnings for 2013 are estimated based on McCollum's current salary, \$82,570.00 per year as documented by his January 10, 2013 payroll statement. The time interval amounts to 3.928 years. Interest to date is calculated in accordance with standard financial formulas at a rate of 2.67% based on the average yield of 10-year constant maturity United States Government bonds over the period from McCollum's termination through the end of 2012. Calculating loss in accordance with equation (1) or (2), based on the assumptions above, yields a past loss amounting to \$424,225.25 or \$699,762.84, for Scenarios (1) or (2), respectively. My computations are presented on a year by year basis in the attached Tables (1) and (2), which are based on Scenarios (1) and (2), respectively.

Projected future lost earnings, which encompass front pay, are calculated by projecting McCollum's base income differential over his remaining work life expectancy in accordance with equation (2), below:

$$(2) \text{ Future Loss} = \sum_{t=1}^T (\text{Base Income} - \text{Mitigation Income}) / (1+r)^t$$

where T = work life expectancy which is assumed to be 27.0 additional years based on an assumed retirement at age 67.0.

Base Income = \$121,955.23 per year as discussed above.

Mitigation Income = \$82,570.00 per year based on McCollum's current salary as discussed above.

$r$  = discount factor used to convert future magnitudes into present value terms. For computational purposes I have assumed  $r$  to be equal to 2.5% to reflect the real rate of return (interest minus inflation) on inflation indexed government bonds. These bonds would be a financial instrument almost perfectly suited to protecting against the effects of future inflation.

Performing the calculation indicated by equation (2), based on the assumptions above, yields a present value of projected future lost earnings amounting to \$267,853.19. My computations are presented on a year by year basis in the attached Table (3).

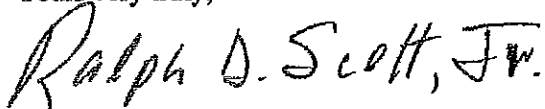
Adding past and projected future losses yields a total loss of \$692,078.43 or \$967,616.03 for Scenarios (1) or (2), respectively.

#### Fringe Benefits

Because of his termination McCollum has lost fringe benefits that would have been provided through his employment. In performing my computations I have evaluated lost fringe benefits at 30.0% of income based on the United States Department of Labor publication: *Employer Costs for Employee Compensation – September 2012*. Fringe benefit losses are calculated over the 0.235-year period from McCollum's termination through the time that he was re-employed, March 15, 2010. Based on the assumptions explained above, McCollum's past fringe benefit loss amounts to \$8,171.36. Please be advised that I have not calculated fringe benefit losses following McCollum's re-employment based on the assumption that he was able to mitigate fringe benefit losses other than differential employer contributions to FICA, 6.2% of differential income. I understand that damages related to differential FICA contributions would be added to any award made for back pay or front pay by the judicial system. If that is not the case, then those damages would need to be quantified.

My economic loss computations are summarized in the attached Table (4). If you have any questions or if I can be of further service in this matter please do not hesitate to contact me.

Yours very truly,



RALPH D. SCOTT, JR., Ph.D.

TABLE 1

**SCOTTY B. MCCOLLUM**  
**CALCULATION OF PAST LOSS (BACK PAY)**  
**SCENARIO 1**

<u>Year</u>	<u>Base Income</u>	<u>Year Fraction</u>	<u>Projected Earnings</u>	<u>Mitigation Earnings</u>	<u>Lost Earnings</u>	<u>Lost Earnings X2</u>	<u>Interest to Date</u>	<u>Economic Loss</u>	<u>Cumulative Economic Loss</u>
2009	\$ 114,015.13	0.2027	\$ 23,115.41	\$ -	\$ 23,115.41	\$ 46,230.81	\$ 4,599.27	\$ 50,830.08	\$ 50,830.08
2010	115,885.34	1.0000	115,885.34	56,670.00	59,215.34	118,430.68	8,619.97	127,050.65	177,880.73
2011	119,543.29	1.0000	119,543.29	75,810.00	43,733.29	87,466.59	4,030.89	91,497.48	269,378.21
2012	121,955.53	1.0000	121,955.53	74,055.53	47,900.00	95,800.01	1,857.08	97,657.08	367,035.29
2013	121,955.53	0.7260	88,543.06	59,948.08	28,594.98	57,189.95	-	57,189.95	424,225.25
<b>Total</b>		<b>3.9288</b>	<b>\$ 469,042.63</b>	<b>\$ 266,483.61</b>	<b>\$ 202,559.02</b>	<b>\$ 405,118.04</b>	<b>\$ 19,107.21</b>	<b>\$ 424,225.25</b>	<b>\$ 424,225.25</b>

TOTAL PAST LOSS (BACK PAY) - SCENARIO 1

\$ 424,225.25

TABLE 2

SCOTTY B. MCCOLLUM  
CALCULATION OF PAST LOSS (BACK PAY)  
SCENARIO 2

<u>Year</u>	<u>Base Income</u>	<u>Year Fraction</u>	<u>Projected Earnings</u>	<u>Projected Earnings X2</u>	<u>Mitigation Earnings</u>	<u>Lost Earnings</u>	<u>Interest to Date</u>	<u>Economic Loss</u>	<u>Cumulative Economic Loss</u>
2009	\$ 114,015.18	0.2027	\$ 23,115.41	\$ 46,230.81	\$ -	\$ 46,230.81	\$ 4,599.27	\$ 50,830.08	\$ 50,830.08
2010	115,885.34	1.0000	115,885.34	231,770.68	56,670.00	175,100.68	12,744.69	187,845.37	238,675.45
2011	119,543.29	1.0000	119,543.29	239,086.59	75,810.00	163,276.59	7,524.59	170,801.18	409,476.63
2012	121,955.53	1.0000	121,955.53	243,911.07	74,055.53	169,855.54	3,292.64	173,148.18	582,624.80
2013	121,955.53	0.7260	88,543.06	177,086.12	59,948.08	117,138.04	-	117,138.04	699,762.84
Total		3.9288	\$ 469,042.63	\$ 938,085.26	\$ 266,483.61	\$ 671,601.65	\$ 28,161.19	\$ 699,762.84	\$ 699,762.84

TOTAL PAST LOSS (BACK PAY) - SCENARIO 2

\$ 699,762.84

TABLE 3

SCOTTY B. MCCOLLUM  
CALCULATION OF FUTURE LOSS (FRONT PAY)

<u>Year</u>	<u>Base Income</u>	<u>Year Fraction</u>	<u>Projected Earnings</u>	<u>Mitigation Earnings</u>	<u>Lost Earnings</u>	<u>Present Value Factor</u>	<u>Economic Loss</u>	<u>Cumulative Economic Loss</u>
2013/14	\$ 121,955.53	1.0000	\$ 121,955.53	\$ 82,570.00	\$ 39,385.53	0.9756	\$ 38,424.91	\$ 38,424.91
2014/15	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.9518	37,487.72	75,912.63
2015/16	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.9286	36,573.38	112,486.01
2016/17	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.9060	35,681.35	148,167.36
2017/18	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.8839	34,811.07	182,978.44
2018/19	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.8623	33,962.02	216,940.46
2019/20	121,955.53	1.0000	121,955.53	82,570.00	39,385.53	0.8413	33,133.68	250,074.14
2020/21	121,955.53	0.5500	67,075.54	45,413.50	21,662.04	0.8207	17,779.05	267,853.19
Total			\$ 920,764.28	\$ 623,403.50	\$ 297,360.78		\$ 267,853.19	\$ 267,853.19

TOTAL FUTURE LOSS (FRONT PAY)

\$ 267,853.19

TABLE 4

**SCOTTY B. MCCOLLUM  
SUMMARY OF ECONOMIC LOSS**

	Scenario	
	<u>1</u>	<u>2</u>
<b>LOST EARNING CAPACITY</b>		
Past	424,225.25	699,762.84
Projected Future	267,853.19	267,853.19
Total	<u>692,078.43</u>	<u>967,616.03</u>
<b>FRINGE BENEFITS</b>		
Past	8,171.36	8,171.36
Projected Future*	-	-
Total	<u>8,171.36</u>	<u>8,171.36</u>
<b>TOTAL ECONOMIC LOSS</b>	<u>\$ 700,249.80</u>	<u>\$ 975,787.39</u>

\* Does not address differential employer FICA contributions



**RALPH D. SCOTT, JR., Ph.D.**

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#### **EDUCATION**

Ph.D., Tulane University School of Economics, New Orleans, Louisiana  
(1983)

B.A., Hendrix College, Conway, Arkansas (1973)  
Major in Economics and Business

#### **ECONOMIC BACKGROUND**

Primary Area of Interest: Macroeconomics, Monetary Theory

Field Examinations: Taken and passed in Microeconomics,  
Macroeconomics, Mathematical Economics, Statistics, International  
Economics, Monetary Theory and Econometrics

Dissertation Title: *Rational Expectations, Aggregate Supply and Fiscal  
Policy*

In my dissertation, I integrated fiscal parameters into the Lucas-Rapping theory of labor supply to obtain a theory of aggregate supply in which the effectiveness of fiscal policy could be analyzed. In addition I developed and estimated an empirical model for the aggregate economy incorporating developments in expectational theory into supply and demand side relationships to analyze the effectiveness of fiscal policy within a broader context.

## **TEACHING EXPERIENCE**

Professor of Economics (tenured), Hendrix College, Conway, Arkansas  
1979 to present

Instructor, Tulane University, New Orleans, Louisiana, Summer 1978-  
Spring 1979

Instructor, St. Mary's Dominican College, New Orleans, Louisiana, Fall  
1977-Summer 1978

Current Teaching Responsibilities: I teach several sections of introductory level Microeconomics and Macroeconomics as well as upper level theory courses in Microeconomics, Macroeconomics, Money Banking and Credit and International Economics. I have also taught courses and directed independent study projects in Mathematical Economics, Finance, Monetary Theory, and Investment Analysis.

## **CONSULTING EXPERIENCE**

Consultation in economic and financial matters is conducted through the Economic and Financial Consulting Group, Inc., of which I am a principal. Over the past 20 years, I have developed extensive experience in personal injury and wrongful death lawsuits. I have been called on by defense as well as plaintiff attorneys in this regard and have been qualified as an expert witness in Federal, State and Local Courts in Arkansas and adjacent states.

Additional consulting expertise entails business and franchise evaluations. My qualifications also extend to statistical and econometric analysis, as well as financial analysis.

List of deposition and courtroom testimony, client list and professional references available upon request.

## **SEMINARS AND PUBLICATIONS**

*Evaluation of Damages in Personal Injury Lawsuits*, presented in conjunction with the Professional Education Systems, Inc.'s seminar and subsequent publication: *How to Evaluate and Settle Personal Injury Claims in Arkansas*, November 1989.

*The Role of the Economist in Personal Injury Lawsuits*, seminar presented to the Pulaski County Bar Association, Little Rock, Arkansas, October 1989.

Presentation to CLE seminar on recent developments in the evaluation of economic loss in personal injury lawsuits. Little Rock, Arkansas, April 1999.

**OTHER ACTIVITIES**

Assistant men's and women's tennis coach, Hendrix College, Conway, Arkansas.

**PERSONAL**

Married to Robin M. Scott and father of Ralph D. Scott, III and Kathryn Elise Scott.